Accounting of the Assets and Financial Condition of the Receivership
Dated March 20, 2019

Paragraph XIV.L of the order appointing the temporary Receiver directs the Receiver to make an accounting of the assets and financial condition of the receivership and report to the Court. We have completed this preliminary accounting and provide the following analysis.

To complete this analysis, we have analyzed Elite IT Partners, Inc.'s (the "Company") QuickBooks accounting file, tax returns, bank records and other business records and interviewed the Company's controller, Jacob Martinos.

Balance Sheet

ASSETS

At the time the Receiver took control of the Company, February 28, 2019 (the "Receivership Date"), the Company reported a total of $[redacted] of assets. These assets were reported as follows:

Asset Account	Amount
Cash	$[redacted]
Accounts Receivable	[redacted]
Legal Retainer	
Furniture and Equipment	
Vehicles	
Accumulated Depreciation	[redacted]
TOTAL ASSETS	$[redacted]

Cash

The Company maintained its main bank accounts with Wells Fargo. The Company reported book balances of $[redacted] and $[redacted] in its operating and savings accounts at the Receivership Date. Additionally, the Company reported a total of $[redacted] held in its various merchant accounts.

The Company's main merchant account appears to be with Complete Merchant Solutions. It also appears to have other merchant accounts with minimal or negative balances with American Express, Payliance, and PayPal.

In addition to the two Wells Fargo accounts reported on the Company's balance sheet, the Company's online Wells Fargo access shows two additional accounts which are not reported on the Company's balance sheet. These accounts are a checking account with a balance of $[redacted] and a savings account with a balance of $[redacted]. Jacob Martinos explained these two accounts are considered personal accounts of Mr. Martinos. The savings account appears to be a brokerage type account through Wells Fargo Advisors and is in the name of "James M. Martinos IRA." The checking account is in the name of "Elite IT Partners, Inc." All four Wells Fargo

accounts were frozen at the Receivership Date. The Receiver has transferred $[redacted] from the Wells Fargo accounts to the Receiver's account with Rabobank $[redacted] was left in the Wells Fargo accounts to keep the accounts open for automatic deposits that continue to be received.

After the Receivership Date, the Wells Fargo checking account received $[redacted] of deposits from the Company's merchant accounts. Additionally, the Company received $[redacted] of checks from four of its business customers ("B2B" customers) and these checks were deposited into the Receiver's Rabobank account. After paying a payroll due to employees on March 8, 2019, and other necessary expenses, Elite IT Partners, Inc. bank accounts, including the Rabobank account, had book balances totaling $[redacted] as of March 20, 2019.[1]

Accounts Receivable

The Company reported accounts receivable of $[redacted] as of the Receivership Date. These accounts are made up B2B customers. The majority of the accounts receivable are current. See the table below for an aging schedule as of the Receivership Date:

Accounts Receivable Aging					
Current	**1-30 Days**	**31-60 Days**	**61-90 Days**	**> 90 Days**	**Total**
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Legal Retainer

The Company reported a $[redacted] legal retainer. This is composed of a $[redacted] payment to Ray Quinney & Nebeker ("RQN") on December 4, 2018. It should be noted that communications from RQN on March 7, 2019, indicated that the full amount of this retainer has been earned by RQN and additional amounts have accrued and are owing. No invoices are outstanding based on a review of Elite's records and the invoices received to date.

Furniture and Equipment

It appears that the Company's tax returns report additional fixed assets that are not reported in the Company's QuickBooks file. We inquired with Jacob Martinos and he responded that they had expensed certain purchases internally wherein the Company's tax preparer had capitalized these assets. As such, we have focused our analysis on the depreciation schedules included in the Company's tax returns.

The Company's 2017 depreciation schedule reports the following furniture and equipment assets at their original costs:

[1] An Order was entered on March 7, 2019, granting approval to pay certain expenses, including payroll through March 2, 2019 (see Docket 31).

Asset Type	2011	2012	2013	2014	2017	Total
Computer Equipment	$[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Computer Software				$[redacted]		[redacted]
Start-Up Costs	$[redacted]					[redacted]
Total	$[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

We reviewed the Company's QuickBooks file and noted no additional assets being recorded since 2017. It is possible that the Company has purchased additional equipment since then. The 2018 tax returns are not yet completed.

As the table above indicates, many of the Company's computer assets are several years old. This type of equipment depreciates relatively quickly and the residual value of these assets may be minimal.

The Company's QuickBooks file and tax returns do not report any furniture. The Company's offices do have desk, cubicles and other office furniture. It was reported to us that the office furniture was purchased and not leased.

Vehicles

The Company purchased a 2016 Ford F-150 for $[redacted] in December 2017 and added a bed liner and cover for [redacted] in 2018. There is no debt on the vehicle and the Receiver has possession of this vehicle. The Receiver has taken possession of the vehicle, which is currently being kept at the Company offices.

LIABILITIES

The Company does not have any long-term debt. At the Receivership Date, the Company reports the following liabilities:

Liability Account	Amount
Accounts Payable	$[redacted]
Credit Cards	[redacted]
Payroll Liabilities	[redacted]
Other Current Liabilities	[redacted]
TOTAL LIABILITIES	$[redacted]

Accounts Payable

The Company's bills are largely current. Its accounts payable were composed of a $[redacted] bill to Ingram Micro and a $[redacted] bill to Fabian VanCott. Both bills are less than 30 days.

The Receiver has been in contact with Company management and identified any bills that are necessary to be paid. Since the Receivership Date, the Receiver has identified and is in the process of paying $[redacted] of necessary bills with the approval of the Court.

Credit Cards

The Company reports the following outstanding credit card balances as of the Receivership Date:

Credit Cards	Amount
Citi Visa	$[redacted]
Chase Visa	[redacted]
American Express	([redacted]
TOTAL CREDIT CARDS	$[redacted]

Payroll Liabilities

We have reviewed the accounting data and it appears that the Company is current on all payroll liabilities. The Receiver is in the process of paying the March 9, 2019, payroll, with Court approval, and has ensured that the appropriate payroll liabilities are paid and current.

EQUITY

With assets of $[redacted] and liabilities of $[redacted], the Company has book equity of $[redacted] as of the Receivership Date.

See Exhibit 1 for historical balance sheets from the Company's QuickBooks accounting records.

Income Statement

REVENUES

The Company reports the following historical revenues:

	2015	2016	2017	2018	*2019 Annualized*
Total Revenue	$[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Annual Growth	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

B2B vs Home Customer Revenues and Viability

One of the Receivership issues is the breakdown of revenues from B2B customers and individual consumers ("Home" customers). We analyzed the details of the revenue figures above and found that only approximately [redacted] percent of total revenues are from B2B customers. The vast majority of the Company's revenues are from Home customers. See Exhibit 2 for a year-by-year breakdown of Home versus B2B customers and Exhibit 3 for a breakdown of revenues from B2B customers. This analysis was prepared through a review of each of the Company's revenue entries and classification of the same between Home and B2B customers.

As shown on Exhibit 2, net revenues from B2B customers averaged $[redacted] for the years 2017 and 2018. Revenues for the first two months of 2019 were $[redacted], which results in annualized revenue for 2019 of approximately $[redacted]. The Company has generated some new revenues from two new customers which could result in another $[redacted] of revenue for 2019 beyond its trend for 2017 and 2018 (a total of $[redacted]).

Returns and Chargebacks

We also analyzed the returns and chargebacks included in the revenue figures. It appears that the Company did not record returns and chargebacks separately in 2015 and 2016. For those years, the Company's QuickBooks reports $[redacted] of returns and chargebacks. In 2017, however, it appears the Company's record keeping methods changed and it began separately recording returns and chargebacks. In 2017, [redacted] percent of sales were reported as returned or charged back. In 2018, [redacted] percent of sales were reported as returned or charged back.

It also appears that the return or chargebacks changed significantly when the Company switched merchant accounts. Through 2018, the Company used ProPay as its merchant account and reported [redacted] percent of sales returned or charged back (for the periods where returns and chargebacks were separately recorded). In 2018 the Company began using Commercial Merchant Solutions and the return or chargeback percentage fell to [redacted] percent. It is not currently clear that reasons why the return and chargeback percentage fell. See Exhibit 4 for a detailed analysis of returns and chargebacks.

EXPENSES

The Company reported an average net income margin of [redacted] percent. This is partially skewed upwards by an above average year in 2016 where the Company reported $[redacted] of net income. In 2018 and to date in 2019, the Company reported negative earnings. See the table below:

	2015	2016	2017	2018	2019 YTD	Total
Revenue	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total Expenses						
Net Income						
Net Income %	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

The Company is labor intensive as its main costs relate to payroll. The table below lists the Company's largest expense line items.

Expense	Percent of Revenue
Payroll	[redacted]
Advertising	
Cost of Goods Sold	
Operational Services	
Rent Expense	
Professional Fees	
TOTAL	[redacted]

See Exhibit 5 for complete historical income statements.

Compensation of Officers

We looked at the compensation of officers and their related parties. Historically, officers and related parties were compensated as 1099 contractors and salaried employees. As such, we used net cash payments as our metric of analysis. The Chief Executive Officer of the Company was paid between $[redacted] and $[redacted] per year over the prior four years. The Chief Technology Officer was paid between $[redacted] and $[redacted] per year over the prior four years. The Vice President of Sale was paid between $[redacted] and $[redacted] per year over the prior four years. See Exhibit 6 for additional details. Please not that the amounts shown are net amounts received, rather than gross payroll amounts.

B2B vs. Home Profitability

We examined the profitability of the B2B and the Home business lines. We found that the Company does not track these business lines separately and the expenses for each business line are commingled together. However, without significant restructuring, it appears unlikely the B2B business line could be profitable given approximately $[redacted] to $[redacted] of annual revenue in 2019, and substantial fixed and semi-fixed expenses. For example, in 2018 the Company reported $[redacted] in rent expense. While this expense might be reduced to sufficient office space for just the B2B segment, we estimate that approximately [redacted] or $[redacted] in rent expense would still be necessary. And it is unclear whether the Company could reduce its current leasehold footprint without incurring significant liability to its landlord. Additionally, the Company reported a total of $[redacted] of payroll related expenses in 2018. Assuming employee expenses could be reduced proportionately with the amount of B2B revenue compared with total revenue, [redacted] percent of these costs (the percentage of B2B revenue compared to total revenue) would be $[redacted] although most of the payroll costs are not variable expenses but rather fixed or semi-fixed expenses. Indeed, given the initial employment expenses incurred by the receivership in operating the B2B business line, it seems unlikely that employment expenses could be reduced proportionately. We believe that even a small staff of full-time management and other employees would quickly result in total expenses exceeding B2B revenue. There are multiple other necessary costs that would be requirement to maintain the B2B business line, but these two items alone would exhaust most of the B2B revenue.

If rent and employee expenses can be reduced drastically, or the B2B segment is absorbed by another company with other revenues, it may be possible for the B2B business to be profitable. Our analysis of the B2B segment and the company as a whole is ongoing and we plan to provide a more complete analysis at a later date.

Cash Receipts and Disbursements

We exported the cash transactions from the QuickBooks accounting file and prepared a summary of the sources and uses of cash. Exhibit 7 is a summary of deposits by payor name and withdrawals or disbursements by payee name. Exhibit 8 is a summary of deposits and disbursements by category. Many of the Company's internet advertising expenses and other operating expenses were paid by credit card, which explains the large payments to credit card companies. The most significant category of cash disbursements were for payroll (wages, benefits and payroll taxes).

Exhibit 1

[redacted]

Exhibit 2

[redacted]

Exhibit 3

Exhibit 4

Exhibit 5

Exhibit 6

Exhibit 7

Exhibit 8